

WHAT IS CLAIMED IS:

- 1 1. A computer-implemented method of allocating a trade of a number of financial
2 instruments, the method comprising:
3 receiving at an allocation management system from an order management systems a
4 message descriptive of a trade of a financial instrument, the message comprising a
5 financial instrument identifier and a size of the trade;
6 determining a risk class associated with the identified financial instrument;
7 determining a first plurality of portfolios associated with the risk class and a target ratio
8 for each of the portfolios; and
9 allocating the trade of the financial instrument among each of the first plurality of
10 portfolios based on the target ratio associated with each of said portfolios.
- 1 2. The method of claim 1 wherein the message further comprises an identifier of a risk class
2 and determining the risk class associated with the identified financial instrument
3 comprises determining based on the identifier of the risk class.
- 1 3. The method of claim 1 further comprising:
2 computing a target ratio for each of the first plurality of portfolios based on available
3 capital in each portfolio and available capital in other portfolios in the first plurality.
- 1 4. The method of claim 3 wherein:
2 a first portfolio in the first plurality comprises a multi-strategy portfolio that is further
3 associated with a second risk class;
4 computing a target ratio for the first portfolio further comprises computing a second
5 target ratio based on the second risk class.

1 5. The method of claim 4 wherein computing the second target ratio comprises computing
2 based on available capital comprising a portion of the first portfolio associated with the
3 second risk class and available capital in other portfolios associated with the second risk
4 class.

1 6. The method of claim 1 wherein allocating the trade further comprises:
2 allocating a quantity to each of the first plurality of portfolios such that a sum of the
3 allocated quantities equals the size of the trade.

1 7. The method of claim 6 wherein allocating comprises allocating the size among each of
2 the first plurality of portfolio based on a multiple of a predetermined lot size.

1 8. The method of claim 6 further comprising:
2 for each one of the first plurality of portfolios, generating a trade message comprising the
3 financial instrument identifier, the quantity allocated to the one of the portfolios, and
4 an identifier of the one of the portfolios; and
5 sending each of the generated trade messages to a portfolio management system.

1 9. The method of claim 1 further comprising:
2 receiving trade correction data at the allocation management system, the trade correction
3 data identifying the trade of the identified financial instrument;
4 querying a trade allocation history database to identify the target ratios used for allocating
5 the trade among the first plurality of portfolios; and
6 generating a plurality of trade correction messages, each correcting the allocation of the
7 trade of the first financial instrument to a different one of the first plurality of
8 portfolios.

1 10. The method of claim 9 further comprising sending the trade correction messages to a
2 portfolio management system.

1 11. The method of claim 10 wherein the portfolio management system maintains an
2 accounting of the financial instruments in each portfolio and free capital associated with
3 each portfolio.

1 12. The method of claim 9 wherein the target ratios associated with the first plurality of
2 portfolios at a time of receipt of the trade correction data is different from the target ratios
3 used for allocating the trade.

1 13. The method of claim 1 wherein the message further comprises a trade type selected from
2 the group consisting of a buy order and a sell order.

1 14. The method of claim 1 wherein the order management system is one of a plurality of
2 order management systems, each order management system being able to exchange
3 messages with the allocation management system, the messages comprising messages
4 descriptive of trades of financial instruments.

1 15. The method of claim 14 wherein each message is exchanged over a network interface
2 using a standard message exchange protocol.

1 16. The method of claim 15 wherein the standard message exchange protocol comprises the
2 FIX protocol.

1 17. The method of claim 1 further comprising:

2 receiving at the allocation management system a second message descriptive of a trade of
3 a second financial instrument, the second message comprising a financial instrument
4 identifier, a size of the trade, and allocation data;
5 allocating the trade of the second financial instrument among a second plurality of
6 portfolios based on the allocation data in the second message.

1 18. The method of claim 17 wherein the allocation data comprises target ratio data.

1 19. A trade allocation system comprising:

2 a computer system comprising a network interface configured to receive trading
3 messages from an order management system;
4 a first database coupled to the computer and comprising first data associating each of a
5 plurality of portfolios with a risk class and a target ratio;
6 a second database storing instructions to configure the computer system to:
7 receive from the order management systems a message descriptive of a trade of a
8 financial instrument, the message comprising a financial instrument identifier, a
9 size of the trade, and a risk class identifier;
10 query the first database to determining a first plurality of portfolios that are associated
11 with a risk class identified by the risk class identifier
12 query the first database to determine a target ratio for each of the first plurality of
13 portfolios; and
14 allocate the trade of the financial instrument among each of the first plurality of
15 portfolios based on the determined target ratio for each of said portfolios.